

Office of the State Auditor
Division of State Audit

State Water Commission
Bismarck, North Dakota

Audit Report for the
Biennium Ended June 30, 2007
Client Code 770

Robert R. Peterson
State Auditor



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Transmittal Letter

May 21, 2008

The Honorable John Hoeven, Governor
Members of the North Dakota Legislative Assembly
Dale Frink, State Engineer, State Water Commission,

We are pleased to submit this audit of the State Water Commission for the biennium ended June 30, 2007. This audit resulted from the statutory responsibility of the State Auditor to audit or review each state agency once every two years. The same statute gives the State Auditor the responsibility to determine the contents of these audits.

In determining the contents of the audits of state agencies, the primary consideration was to determine how we could best serve the citizens of the state of North Dakota. Naturally we determined financial accountability should play an important part of these audits. Additionally, operational accountability is addressed whenever possible to increase efficiency and effectiveness of state government.

The senior auditor for this audit was Orlin Bensen, LPA. Al Stroklund and Aaron Petrowitz were the staff auditors. Fred Ehrhardt, CPA was the audit supervisor and Paul Welk, CPA was the audit manager. Inquiries or comments relating to this audit may be directed to the audit manager by calling (701) 328-2241. We wish to express our appreciation to State Engineer, Dale Frink and his staff for the courtesy, cooperation, and assistance they provided to us during this audit.

Respectfully submitted,

Robert R. Peterson
State Auditor

Executive Summary

INTRODUCTION

The North Dakota State Water Commission consists of the Governor as chairman, the Commissioner of Agriculture as an ex-officio member, and seven members who are appointed by the Governor to serve six-year terms. The Commission appoints a State Engineer as its executive officer, who employs staff as needed to carry out the aims of the Commission. The State Water Commission is located primarily in the State Office Building in Bismarck, ND. In addition, the State Water Commission has a field office in West Fargo. The State Water Commission is regulated by Title 61 of the North Dakota Century Code. In general, the purpose of the State Water Commission is to regulate the use of water resources and to keep abreast of the water needs of the state of North Dakota while trying to balance the public interest and public trust.

RESPONSES TO LAFRC AUDIT QUESTIONS

The Legislative Audit and Fiscal Review Committee (LAFRC) requests that certain items be addressed by auditors performing audits of state agencies.

1. What type of opinion was issued on the financial statements?

Financial statements were not prepared by the State Water Commission in accordance with generally accepted accounting principles so an opinion is not applicable. The agency's transactions were tested and included in the state's basic financial statements on which an unqualified opinion was issued.

2. Was there compliance with statutes, laws, rules, and regulations under which the agency was created and is functioning?

Yes.

3. Was internal control adequate and functioning effectively?

Other than our findings addressing the "fraud risk assessment/control activities" (page 12) and "code of ethics/code of business conduct" (page 14), we determined internal control was adequate.

4. Were there any indications of lack of efficiency in financial operations and management of the agency?

No.

5. *Has action been taken on findings and recommendations included in prior audit reports?*

The State Water Commission has implemented all recommendations included in the prior audit report.

6. *Was a management letter issued? If so, provide a summary below, including any recommendations and the management responses.*

Yes, a management letter was issued and is included on pages 19-20 of this report, along with management's response.

LAFRC AUDIT COMMUNICATIONS

1. *Identify any significant changes in accounting policies, any management conflicts of interest, any contingent liabilities, or any significant unusual transactions.*

There were no significant changes in accounting policies, no management conflicts of interest were noted, no contingent liabilities were identified or significant unusual transactions.

2. *Identify any significant accounting estimates, the process used by management to formulate the accounting estimates, and the basis for the auditor's conclusions regarding the reasonableness of those estimates.*

The State Water Commission's financial statements do not include any significant accounting estimates.

3. *Identify any significant audit adjustments.*

Significant audit adjustments were not necessary.

4. *Identify any disagreements with management, whether or not resolved to the auditor's satisfaction relating to a financial accounting, reporting, or auditing matter that could be significant to the financial statements.*

None.

5. *Identify any serious difficulties encountered in performing the audit.*

None.

6. *Identify any major issues discussed with management prior to retention.*

This is not applicable for audits conducted by the Office of the State Auditor.

7. *Identify any management consultations with other accountants about auditing and accounting matters.*

None.

8. *Identify any high-risk information technology systems critical to operations based on the auditor's overall assessment of the importance of the system to the agency and its mission, or whether any exceptions identified in the six audit report questions to be addressed by the auditors are directly related to the operations of an information technology system.*

ConnectND Finance and the Human Resource Management Systems are high-risk information technology systems critical to the State Water Commission.

Audit Objectives, Scope, and Methodology

Audit Objectives

The objectives of this audit of the State Water Commission for the biennium ended June 30, 2007 were to provide reliable, audited financial statements and to answer the following questions:

1. What are the highest risk areas of the State Water Commission's operations and is internal control adequate in these areas?
2. What are the significant and high-risk areas of legislative intent applicable to the State Water Commission and are they in compliance with these laws?
3. Are there areas of the State Water Commission's operations where we can help to improve efficiency or effectiveness?

Audit Scope

This audit of the State Water Commission is for the biennium ended June 30, 2007. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The State Water Commission has operations in the following locations. Each location will be included in the audit scope:

- The central office is located in the southeast corner of the capitol grounds.
- The warehouse is located at east Main Street in Bismarck.
- The field office is located in West Fargo.

Audit Methodology

To meet the objectives outlined above, we:

- Prepared financial statements from the legal balances on the state's accounting system tested as part of this audit and the audit of the state's Comprehensive Annual Financial Report and developed a discussion and analysis of the financial statements.
- Performed detailed analytical procedures including computer assisted auditing techniques. These procedures were used to identify high risk transactions and potential problem areas for additional testing.
- Tested internal control and compliance with laws and regulations which included selecting representative samples to determine if controls are operating effectively and to determine

if laws are being followed consistently. Non-statistical sampling was used and the results were projected to the population. Further where applicable, populations were stratified to ensure that particular groups within a population were adequately represented in the sample, and to improve efficiency by gaining greater control on the composition of the sample.

- Interviewed appropriate State Water Commission personnel.
- Queried the ConnectND (PeopleSoft) Enterprise Resource Planning system. Given the complexity of the state's accounting system significant evidence was obtained from ConnectND.
- Observed the State Water Commission's processes and procedures.

In aggregate there were no significant limitations or uncertainties related to our overall assessment of the sufficiency and appropriateness of audit evidence.

Discussion And Analysis

The accompanying financial statements have been prepared to present the State Water Commission's revenues and expenditures on the legal (budget) basis. The accompanying financial statements are not intended to be presented in accordance with generally accepted accounting principles (GAAP).

For the biennium ended June 30, 2007, operations of the State Water Commission were primarily supported by appropriations from special funds. However, federal and general fund activity supplements the State Water Commission special funds.

FINANCIAL SUMMARY

The State Water Commission's capital assets include land, buildings, equipment, infrastructure assets, and construction in progress - all of which are initially capitalized at historical cost. All capital assets with an original cost of \$5,000 or more per unit and an estimated useful life in excess of one year are capitalized. The State Water Commission's total assets before deducting accumulated depreciation was approximately \$190 million and \$189 million for fiscal years ended June 30, 2007 and 2006, respectively. The largest capital asset category the State Water Commission has capitalized is infrastructure. Infrastructure assets are major statewide water development projects such as the Southwest Pipeline, Northwest Area Water Supply, and Devils Lake flooding including the Devils Lake outlet.

The State Water Commission has approximately \$109 million and \$111 million in revenue bonds outstanding as of June 30, 2007 and June 30, 2006, respectively. The bonds have interest rates ranging from 2.50-5.75% and maturity dates from calendar years 2008-2046. The bond revenues were used for North Dakota water projects.

Revenues and other sources consisted primarily of federal revenue, intergovernmental proceeds, and transfers from the Oil Resources Trust Fund and the Tobacco Settlement Trust Fund. Other revenues during the audited period include the sale of capital assets, loan receipts, permits, fees, and mineral lease royalties. These all remained fairly constant for the State Water Commission, increasing slightly except for the sale of capital assets. The State Water Commission sold land during fiscal year 2006 which was authorized by Chapter 21, House Bill 1021, sections 6 and 7 of the 59th Legislative Assembly. Total revenues and other sources were \$32,053,308 for the year ended June 30, 2007 as compared to \$41,612,375 for the year ended June 30, 2006.

The largest increase in revenue and other sources for fiscal year 2007 was federal revenue. The increase in federal funding was primarily for the Northwest Area Water Supply project and for the Southwest Pipeline Project. The increase in intergovernmental revenue from \$2,696,231 for fiscal year 2006 to \$4,548,604 for fiscal year 2007 was the result of increased revenue received from the Southwest Water Authority and from cities for the Northwest Area Water Supply Project. Transfers In decreased from fiscal years 2006 to 2007 by \$14,450,477. The two largest transfers in were from the Tobacco Settlement Fund and the Oil Resources Trust Fund. The tobacco settlement funds for fiscal years 2007 and 2006 were \$10,086,321 and \$9,636,331, respectively. Tobacco settlement funds are transferred to the State Water Commission in accordance with NDCC section 54-27-25. The Oil Resources Trust Fund's transfers to the State Water Commission decreased from \$24,650,000 to \$9,700,000 for fiscal years 2006 and 2007, respectively. The funds are transferred in accordance with NDCC section 57-51.1-07 to be used for the payment of principal and interest payments on water project bonds.

Total expenditures and other uses for the State Water Commission were \$34,872,174 for the year ended June 30, 2007 as compared to \$41,858,817 for fiscal year ended June 30, 2006. The decrease in total expenditures and other uses was primarily the result of two areas: Capital payments decreased by \$6,912,891 which was the result of decreased construction payments on the Northwest Area Water Supply Project; and Grants, Benefits, and Claims decreased by \$2,080,092 due to less payments being made to water resource districts. All other expenditures remained fairly constant.

ANALYSIS OF SIGNIFICANT CHANGES IN OPERATIONS

The State Water Commission's operations have increased as a result of the Northwest Area Water Supply Project. Water from Lake Sakakawea will be pumped as far north as Sherwood, ND, to Bottineau, ND in the east, and Divide County in the west. The city of Minot, ND will also get its water from the Northwest Area Water Supply Project. The cost of the Northwest Area Water Supply Project is estimated to be \$115 million and will be funded with 65% federal funds and 35% local funds provided by the communities that will use the water. After construction, the cost of operating the water delivery system will be assumed by the users who purchase the water.

The State Water Commission constructed the Devils Lake outlet between Devils Lake and the Sheyenne River. The project was authorized by Senate Bill 2022 of the 2003 Legislative Assembly and North Dakota Century Code Chapter 61-02. During August 2005, the Devils Lake outlet became operational. The total capitalized cost was \$24,763,697.

ANALYSIS OF SIGNIFICANT VARIANCES BETWEEN FINAL BUDGETED AND ACTUAL EXPENDITURES

The State Water Commission's water and atmospheric resources budget line item had \$49,223,209 or 39% remaining at the end of the biennium. The State Water Commission and the Water Coalition discuss and prioritize the water projects for the next biennium. A lot of water projects take longer than a biennium to complete and sometimes several years to complete. In addition, it is not uncommon to encounter project delays due to lawsuits, condemnations, permit issues, and federal or local funding problems. The state has obligated all of the funding needed to complete the State Water Commission's share of the water project approved by the legislature. At the end of the biennium, the State Water Commission had a large balance of unexpended authority of which a large portion is carried forward into the next biennium to complete the projects.

Financial Statements

STATEMENT OF REVENUES AND EXPENDITURES

	June 30, 2007	June 30, 2006
<u>Revenues and Other Sources:</u>		
Federal Revenue	\$ 7,004,292	\$ 3,387,996
Intergovernmental	4,548,604	2,696,231
Loan Receipts	483,266	583,156
Sale of Capital Assets		535,000
Permits and Fees	25,150	11,202
Mineral Lease Royalties	10,147	6,526
Other Revenue	67,818	27,756
Transfers In	19,914,031	34,364,508
Total Revenues and Other Sources	\$32,053,308	\$41,612,375
<u>Expenditures and Other Uses:</u>		
Salaries and Benefits	\$ 4,989,874	\$ 4,670,557
Major Operating Expenditures		
Fees – Professional Services	4,238,700	2,800,948
Travel	385,416	409,943
Supplies/Materials-Professional	179,314	147,583
Equipment over \$5000	151,375	
Extraordinary Repairs	135,334	82,254
Operating Fees and Services	122,747	72,381
Utilities	101,180	61,501
IT Equipment	140,568	24,154
IT Data Processing/Communications	106,484	102,538
IT Software	64,431	21,163
Professional Development	75,864	57,776
Buildings/Grounds/Vehicle Supplies	47,852	63,871
Other Operating Expenditures	159,214	117,372
Grants, Benefits, and Claims	13,126,607	15,206,699
Capital Payments	10,425,287	17,338,178
Land and Buildings	206,310	450,566
Transfers Out	215,617	231,333
Total Expenditures and Other Uses	\$34,872,174	\$41,858,817

STATEMENT OF APPROPRIATIONS

For The Biennium Ended June 30, 2007

Expenditures by Line Item:	<u>Original Appropriation</u>	<u>Adjustments</u>	<u>Final Appropriation</u>	<u>Expenditures</u>	<u>Unexpended Appropriation</u>
Administration and Support Services	\$ 2,180,445		\$ 2,180,445	\$ 2,063,708	\$ 116,737
Water and Atmospheric Resources	123,890,493		123,890,493	74,667,284	49,223,209
Totals	<u>\$126,070,938</u>		<u>\$126,070,938</u>	<u>\$76,730,992</u>	<u>\$49,339,946</u>
Expenditures by Source:					
General Fund	\$ 1,011,220		\$ 1,011,220	\$ 1,011,220	
Other Funds	125,059,718		125,059,718	75,719,772	\$49,339,946
Totals	<u>\$126,070,938</u>		<u>\$126,070,938</u>	<u>\$76,730,992</u>	<u>\$49,339,946</u>

Appropriation Adjustments:

There no appropriation adjustments for the biennium ending June 30, 2007.

Expenditures Without Appropriations Of Specific Amounts:

Capital Projects and Debt Service have a continuing appropriation authorized by NDCC section 61-02-62 of \$29,388,868 (Funds 961 and 962).

Internal Control

In our audit for the biennium ended June 30, 2007, we identified the following areas of the State Water Commission's internal control as being the highest risk:

Internal Controls Subjected To Testing

- Controls surrounding the processing of revenues.
- Controls surrounding the processing of expenditures.
- Controls effecting the safeguarding of assets.
- Controls relating to compliance with legislative intent.
- Controls surrounding the ConnectND (PeopleSoft) system.

The criteria used to evaluate internal control are published in the publication *Internal Control – Integrated Framework* from the Committee of Sponsoring Organizations (COSO) of the Treadway Commission.

We gained an understanding of internal control surrounding these areas and concluded as to the adequacy of their design. We also tested the operating effectiveness of those controls we considered necessary based on our assessment of audit risk. We concluded that internal control was not adequate noting certain matters involving internal control and its operation that we consider to be significant deficiencies.

Auditors are required to report deficiencies in internal control that are significant within the context of the objectives of the audit. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect (1) misstatements in financial or performance information, (2) violations of laws and regulations, or (3) impairments of effectiveness or efficiency of operations, on a timely basis. Considering both qualitative and quantitative factors, we identified the following significant deficiencies in internal control. We also noted other matters involving internal control that we have reported to management of State Water Commission in a management letter dated May 21, 2008.

Finding 07-1

FRAUD RISK ASSESSMENT/CONTROL ACTIVITIES

The State Water Commission does not have a system in place to identify possible instances of fraud or fraudulent activities in the Commission's financial and operational areas.

The most important guidance relating to internal control is contained in *Internal Control – Integrated Framework* published by

the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This guidance dictates that a Fraud Risk Assessment program be established and practiced to identify risks of fraudulent type activities, including when special circumstances arise, when changing operating environments, and for restructuring. In addition, the State Water Commission does not have the necessary control activities designed/documented to ensure significant fraud exposures are identified and mitigated. Management must design the necessary internal controls to ensure that each of the significant fraud exposures identified during the risk assessment process are adequately mitigated.

Audit Recommendation and
Agency Response

Recommendation:

We recommend the State Water Commission:

- Establish and perform a fraud risk assessment on a recurring basis.
- Design and document the necessary control activities to ensure that each significant fraud exposure identified during the risk assessment process has been adequately mitigated.

State Water Commission Response:

The State Water Commission will establish and perform a fraud risk assessment on a recurring basis.

CODE OF ETHICS/CODE OF BUSINESS CONDUCT

Finding 07-2

The State Water Commission does not have a code of ethics or business conduct developed with written standards designed to deter wrongdoing.

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) *Internal Control-Integrated Framework* dictates that a written Code of Ethics/Code of Business Conduct be reasonably designed to deter wrongdoing and to promote: 1) full, fair, accurate, timely, and understandable disclosure in reports and documents; 2) compliance with applicable governmental laws, rules, and regulations; 3) prompt internal reporting of violations of the code to an appropriate person or persons identified in the code; and 4) accountability for adherence to the code and sanctions to be imposed on those who breach it. The Code of Ethics/Code of Business Conduct must be effectively communicated to all covered persons and the covered persons annually acknowledge their receipt and reading of the code.

Audit Recommendation and Agency Response

Recommendation:

We recommend the State Water Commission:

Develop a Code of Ethics/Code of Business Conduct which includes written standards that are reasonably designed to deter wrongdoing.

Periodically effectively communicate the Code of Conduct or Business Code to all covered employees.

Have employees annually confirm their receipt and reading of the Code of Conduct or Business Code.

State Water Commission Response:

The State Water Commission will develop an Ethics/Code of Business Conduct policy.

Compliance With Legislative Intent

In our audit for the biennium ended June 30, 2007, we identified and tested State Water Commission's compliance with legislative intent for the following areas that we determined to be significant and of higher risk of noncompliance:

- Determined the State Water Commission was in compliance with North Dakota Century Code (NDCC) section 61-02-64.2 for repayment of loan proceeds and reimbursements being deposited in the resources trust fund.
- Determined funding received pursuant to the tobacco agreement was in accordance with NDCC section 61-02.1-05 and deposited into the Water Development Trust Fund and used for paying off bonds that were issued.
- Reviewed statutory salary of the State Engineer and found the salary to be in accordance with NDCC section 61-03-01.
- The State Water Commission is in compliance with NDCC section 61-03-04 by submission of their biennial report.
- Determined the fees received in accordance with NDCC 61-03-05 were deposited into the general fund in accordance with NDCC.
- Determined the State Water Commission was in compliance with NDCC section 61-03-05.1 by properly depositing fees collected in accordance with NDCC section 61-04-04.1 and section 61-04-06.2 into the Water Use Fund and are only used for planning, research, and administration.
- Determined the State Water Commission was in accordance with NDCC section 61-04.1-14 by collecting fees in accordance with NDCC section 61-04.1-16 and determined that the correct amount has been collected and deposited into the general fund.
- Determine the State Water Commission was in compliance with NDCC section 61-04.1-33 by requiring bids for contracting with a controller in an amount in excess of \$10,000 in any one year.
- Determined the fees collected in accordance with NDCC section 61-04.1-38 were accounted for correctly and disbursed in accordance with NDCC.
- Determined all income from the lease and management of lands acquired by the State Water Commission for the Southwest Pipeline Project were deposited into the correct fund in accordance with NDCC section 61-23-10.1.
- Determined all income derived from lease and management of the lands acquired by State Engineer pursuant to NDCC Chapter 61-33 and not belonging to other trust funds was being deposited into the lands and minerals trust fund in accordance with NDCC section 61-33-07.

- Reviewed NDCC section 57-51.1-07 and determined that the resources trust fund contains moneys from the oil extraction tax to fund the sinking fund.
- Determined the State Water Commission was in compliance with NDCC section 61-02-64.1 for contractual obligations, except salaries and expenses of employees and cost of any office supplies, materials, and equipment must be paid from the contract fund. The State Water Commission uses their operating fund to keep track of fund activity and is in accordance with NDCC section 54-44-04.9.
- Determined the fees collected in accordance with NDCC section 61-03-05.1 are deposited into the water use fund and are used for planning, research, and administration for water projects for the State of North Dakota.
- Determined the State Water Commission was in compliance with NDCC section 61-02-64.2 for repayment of loan proceeds and reimbursements being deposited in the resources trust fund.
- Determined the use of the Water Development Trust fund is being used to address water development needs for North Dakota in accordance with NDCC section 61-01-26.2.
- Determined the use of the State Water Commission Operating fund is being used in accordance with NDCC Chapter 61-02.
- Determined the Northwest Area Water Supply Project (NAWS) reserve fund is being used for the replacement and extraordinary maintenance of the NAWS Project as noted in NDCC section 61-24.6-08.
- Application of proper statutory rates relating to revenue.
- Proper use of the State Treasurer (State Constitution, article X, section 12).
- Compliance with appropriations and related transfers (2005 North Dakota Session Laws chapter 21).
- Compliance with OMB's Purchasing Procedures Manual.
- Travel-related expenditures are made in accordance with OMB policy and state statute.
- Proper use of bank accounts outside the Bank of North Dakota.
- Adequate blanket bond coverage of employees (NDCC section 26.1-21-08).
- Compliance with fixed asset requirements including record keeping, surplus property, lease and financing arrangements in budget requests, and lease analysis requirements.
- Compliance with payroll related laws including statutory salaries for applicable elected and appointed positions, and certification of payroll.

The criteria used to evaluate legislative intent are the laws as published in the *North Dakota Century Code* and the *North Dakota Session Laws*.

Government Auditing Standards requires auditors to report all instances of fraud and illegal acts unless they are inconsequential within the context of the audit objectives. Further, auditors are required to report significant violations of provisions of contracts or grant agreements, and significant abuse that have occurred or are likely to have occurred.

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. Thus, we concluded there was compliance with the legislative intent identified above.

Operations

This audit did not identify areas of the State Water Commission's operations where we determined it was practical at this time to help to improve efficiency or effectiveness.

Management Letter (Informal Recommendations)

May 21, 2008

Mr. Dale Frink
State Engineer
900 E. Boulevard Avenue
Bismarck, ND 58505-0850

Dear Mr. Frink:

We have performed an audit of the State Water Commission for the biennium ended June 30, 2007, and have issued a report thereon. As part of our audit, we gained an understanding of the State Water Commission's internal control structure to the extent we considered necessary to achieve our audit objectives. We also performed tests of compliance as described in the same report.

Our audit procedures are designed primarily to enable us to report on our objectives including those related to internal control and compliance with laws and regulations and may not bring to light all weaknesses in systems and procedures or noncompliance with laws and regulations which may exist. We aim, however, to use our knowledge of your organization gained during our work to make comments and suggestions which we hope will be useful to you.

In connection with the audit, gaining an understanding of the internal control structure, and tests of compliance with laws and regulations referred to above, we noted certain conditions we did not consider reportable within the context of your audit report. These conditions relate to areas of general business practice or control issues that have no significant bearing on the administration of federal funds. We do, however, want to present our recommendations to you for your consideration and whatever follow-up action you consider appropriate. During the next audit we will determine if these recommendations have been implemented, and if not, we will reconsider their status as non-reportable conditions.

The following present our informal recommendations.

CASH

Informal Recommendation 07-1: Reconciliation of Deposits

We recommend the State Water Commission:

- Have someone independent of deposit preparation reconcile the posted deposits on PeopleSoft to the remittance, and
- Have someone independent of federal draws reconcile PeopleSoft to a federal source stating the amount given to the State Water Commission by the federal government.

Payroll

Informal Recommendation 07-2: Payroll Processes

We recommend the State Water Commission:

- Have the one-time payment query run by an individual who does not have the ability to process payroll transactions and approved by an appropriate level of management.
- Have an appropriate level of management, who does not have access to process payroll, approve the payroll register on a monthly basis.
- Have the Office of Management and Budget send new Personal Action Forms to someone independent of preparation.

General

Informal Recommendation 07-3: Definitions of Fraudulent Behavior

We recommend the State Water Commission Human Resources Policy Manual be updated to include a description on what constitutes fraudulent behavior.

Management of State Water Commission agreed with these recommendations.

I encourage you to call myself or an audit manager at 328-2320 if you have any questions about the implementation of recommendations included in your audit report or this letter.

Sincerely,

Orlin Bensen
Senior Auditor